GOVERNMENT OF INDIA
POWER
LOK SABHA

UNSTARRED QUESTION NO:1114
ANSWERED ON:01.03.2006
SETTLEMENT OF OUTSTANDING DUES
Khaire Shri Chandrakant Bhaurao

Will the Minister of POWER be pleased to state:

(a) Whether the Union Government and the Reserve Bank of India signed a tripartite agreement with States for a one time settlement of State Electricity Boards` dues to Central Utilities; and

(b) If so, the details thereof along with the list of State Governments which have signed the said agreement?

Answer

THE MINISTER OF POWER (SHRI SUSHILKUMAR SHINDE)

(a) : Yes, Sir.

(b) :Salient features of the scheme for one time settlement of dues payable by State Electricity Boards (SEBs) / Electricity Departments

(EDs) to the Central Public Sector Power Utilities, under which Tripartite Agreement was signed among the State Government, Reserve Bank of India and Government of India, are given in Annexure.All the State Governments have signed the Tripartite Agreement. The scheme covers the outstanding dues payable by the SEBs to the National Thermal Power Corporation

(NTPC), National Hydro-electric Power Corporation (NHPC), North Eastern Electric Power Corporation (NEEPCO), Powergrid Corporation of India Limited.

(PGCIL) & Damodar Valley Corporation (DVC) under the Ministry of Power, Coal India Limited (CIL) & its subsidiaries and Neyveli Lignite Corporation (NLC) under the Ministry of Coal, Nuclear Power Corporation (NPC) under the Department of Atomic Energy and to the Ministry of Railways. Bonds amounting to Rs. 31581 crore have been issued by 27 States. Goa had no outstanding dues. Government of National Capital Territory of Delhi securitized its outstanding dues by way of long-term advances of Rs. 3376 crore payable to the CPSUs concerned under Bi- partite Agreement as they do not have power to issue Bonds.

ANNEXURE REFERRED TO IN REPLY TO PART (b) OF UNSTARRED QUESTION NO.1114 TO BE ANSWERED IN THE LOK SABHA ON 01.03.2006.

The Salient features of the Scheme are:

(a)For the states participating in the scheme, 60% of the interest / surcharge on the delayed payments as on 30-09-2001 would be waived off.

(b)The rest of the dues amounting to the full principal amount as well as the remaining 40% of the interest / surcharge would be securitised through bonds issued by the respective State Governments.

(c)The bonds would be issued through RBI at a tax-free interest rate of 8.5% per annum. The terms of bonds should be structured to achieve a moratorium of 5 years on repayment of principal with the entire principal being repaid between the 6th and 15th year. These bonds would be identical to bonds issued in connection with the market borrowings of State Governments, with the attendant discipline in repayments. The bonds will be subject to lock-in restrictions that will allow release of only 10 per cent of the bonds in the secondary market each year.

(d)For ensuring timely payment of current dues in future, defaults in current payment for power/fuel would attract a graded reduction in the supply of power from central power stations and in coal supplies. Where such defaults exceed 90 days from the date of billing, the Ministry of Finance shall recover these dues through adjustment against releases due to them from the Centre.

(e)In order to initiate steps towards reform of the sector, the State Governments / SEBs shall accept reform-based performance milestones such as setting up of State Electricity Regulatory Commissions, metering of distribution feeders, improvement in revenue realisation and other such milestones specified in the Memorandum of Understanding signed with the Ministry of Power.

(f)The States shall be offered incentives for complying with the scheme. If SEBs or their successor entities (other than the ones not owned by the State Government) do not default on their current dues and adhere to the performance milestones, CPSUs shall pay

them, during the first year commencing from 1.10.2001, bi-annual cash incentives equal to 3 per cent of the value of bonds in 2002-03, 2.5% in 2003-04 and 2% in 2004-05 & 2005-06. Further, if SEBs open and maintain Letters of Credit

(LCs) till the end of December 2002, CPSUs shall pay them a one-time cash incentive equal to 2 per cent of the value of bonds. In addition, States undertaking reforms shall also be assisted through Accelerated Power Development and Reform Programme

(APRDP) grants and discretionary allocation of Power. The date for opening of LC`s shall be 60 days from the issue of this letter.

(g)The States that withhold their consent beyond 60 days after this scheme enters into force shall be denied any share in the discretionary allocation of 15 per cent from the power stations of CPSUs as well as any assistance under APRDP. If the over dues of such States exceeded Rs 50 crore in respect of any CPSUs, they would also attract reduction in power and coal supplies, as applicable to the States participating in this scheme.

(h)Outstanding dues as on 30.09.2001 would form the basis of the one-time settlement. Dues that accrue after this date would not form part of the scheme. As regard bonds issued in the past in lieu of outstanding dues of SEBs, all bonds issued after 1-3-1998 can be converted into State Government bonds at the option of the respective State Government. These bonds would form part of the scheme. However, any agreements entered in the past of which the old bonds are a part should not be re-opened. Only conversion of bonds under the present scheme shall be permitted.